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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 000830

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SUBJECT: CLIMATE CHANGE: JAPAN SUPPORTIVE OF U.S. STANCE IN
MEETINGS WITH DNSA PRICE

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Classified By: Ambassador J. Thomas Schieffer, reasons 1.4 (b) and (d)

¶1. (C) Summary: High-level Japanese officials reiterated strong support for the Major Economies Process and the U.S. approach on climate change in meetings with Deputy National Security Advisor Daniel Price in Tokyo March 19. All agreed on the need for each of the major economies to agree upon goals; it would be a mistake to follow the approach called for by European countries: setting agreements among the developed industrialized countries only and hoping China, India, and the other large emerging market countries later follow suit. Assistant Chief Cabinet Secretary Ando said Japan would use Hu Jintao's upcoming visit to urge China's active cooperation on climate change and advocated an inclusive clean technology fund that financed both mitigation and adaptation efforts. METI Vice Minister Toyoda reaffirmed Japan's support for a bottom-up, sectoral approach and said he would encourage China and India to be more flexible in the Major Economies discussions. Cabinet Special Advisor Okuda championed the benefits of technology transfer, but noted IPR concerns. End summary.

MEP and G8 Messaging

¶2. (C) In a series of meetings with senior GOJ officials in Tokyo March 19, Assistant to the President for International Economics and DNSA Price reviewed developments in the Major Economies Process (MEP) and explained USG priorities for the MEP and next steps. He emphasized the importance of focusing discussions on medium term goals in the MEP, rather than the G8. While we do not see the G8 being silent on climate, he explained, it is not the forum for countries to set goals. The G8 does not include all the major economies, creating the risk of letting China sit back on energy/greenhouse gas commitments while the EU, U.S., and Japan fight among themselves. Instead, we need to work through the MEP to include China, India, and other emerging market economies to agree on the elements of a post-Kyoto framework that would be finalized in the UNFCCC.

¶3. (C) DNSA Price discouraged his Japanese interlocutors from proposing a follow-on to the G20 Gleneagles Dialogue. The MEP has proven its value and should continue after the Major Economies Leaders' Meeting as a jointly owned forum to flesh out details of the Leaders' Statement. DNSA Price also reviewed the six elements of a possible leaders' declaration, explained steps the U.S. has taken through the 2007 Energy Independence and Security Act (EISA), and noted the need for

more public outreach on what the U.S., Japan, and other countries are doing to meet the challenges of energy security and climate change. (NOTE: DNSA Price's discussions on Doha Development Round, beef, and investment in Japan are reported septel. End Note.)

Japanese Views

14. (C) Assistant Chief Cabinet Secretary Hiroyasu Ando told DNSA Price the Prime Minister wants to use Chinese President Hu Jintao's upcoming visit to put pressure on the Chinese to be more flexible on climate change. DNSA Price agreed and noted China already has a national emissions plan. What the U.S. is asking China to do is make a similar commitment and subject it to international scrutiny. In regard to the Clean Technology Fund (CTF), Ando said 1) as many countries as possible should be invited to participate; 2) the formal announcement should come at the Lake Toya G8 Summit or the ME Leaders' Meeting; and 3) adaptation should also be financed by the fund. DNSA Price said the U.S. would focus on clean technologies, but he envisioned participating countries targeting funds via different "windows."

15. (C) Ministry of Economy Trade and Industry (METI) Vice Minister for International Affairs Masakazu Toyoda stressed the need for a bottom-up, sectoral approach to a post-Kyoto framework. Providing copies of a new METI report on long-term energy usage, Toyoda noted the importance of the base year when calculating emissions reductions and said 1990 may not be appropriate. He thought developing countries understand the value of the sectoral approach, which stems from work undertaken in the Asia Pacific Partnership (APP). Following the March 15 - 16 meeting of the Gleneagles Dialogue, Toyoda had met with Chinese delegate Xie Zhenhua, who agreed the sectoral approach might be a means to improve energy intensity. Xie said China could not accept use of the

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sectoral approach to set targets, but was willing to continue discussions. Toyoda was uncertain whether part of the difficulties were due to translations used and if other terminology would be acceptable to China. Toyoda said he would meet Indian officials in early April, before continuing his discussions with Xie. Japan is looking at having some sort of arrangement for bilateral cooperation ready for Chinese President Hu Jintao's expected visit later this spring.

16. (C) Turning to the Major Economies Leaders' Meeting at Lake Toya, Toyoda said a sufficient outcome could be to agree to continue study of the sectoral approach. After DNSA Price explained USG priorities for the ME Leaders' Meeting (long-term goal, mid-term goals, sectoral approach, etc.) and the dangers of overemphasizing the sectoral approach, Toyoda recalibrated and agreed the framing of the message was important. Right now the only approach on the table is the EU's cap and trade methodology. Having the sectoral approach on the table as well will allow for a meaningful discussion in the UNFCCC. Regarding the ME Leaders' Statement, Toyoda said the GOJ would like to get a long-term goal in July and worries the MEP may deadlock on that issue. Toyoda said the GOJ, particularly METI and MOFA, could help find the needed outcome by encouraging China and India to be more flexible in the ME discussions.

17. (C) Toyoda also stated the GOJ is trying to build European private sector support for the sectoral approach through the G8 Business Leaders Summit in Tokyo April 17. He said many European businesses are not happy with the European Emissions Trading Scheme; using the bottom-up approach could make the ETS fairer. Regarding press reports of GOJ plans for a workshop in May on the sectoral approach, Toyoda said it was Environment Minister Kamoshita's idea and would be a technical, not policy-oriented, workshop.

18. (C) Hiroshi Okuda, former Chairman of Toyota Motors and the Japan Business Federation (Keidanren), was recently appointed Special Advisor to the Cabinet to ensure business views are represented in climate change discussions. During his meeting with DNSA Price, Okuda suggested technologies developed by Toyota and other Japanese companies could make considerable contributions if they were utilized in China and elsewhere, but intellectual property rights concerns limit such sales/transfers. DNSA Price explained it is possible to deploy energy-saving or emissions-cutting technologies while still safeguarding IPR; the U.S., Japan, and the U.K. should explore this possibility through using the Clean Technology Fund. Okuda also suggested the Japanese Prime Minister would discuss climate and energy issues with the Korean and Chinese presidents when they visit Tokyo.

19. (U) DNSA Price cleared this cable subsequent to departing Japan.
SCHIEFFER